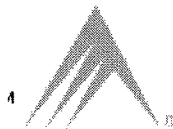


SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

PRELIMINARY RATE AND FINANCING REPORT

June 4, 2010



Crowe HorwathTM

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

TABLE OF CONTENTS

	<u>Page</u>
PURPOSE OF THE REPORT	1
EXECUTIVE SUMMARY	2
EXHIBIT A - Balance Sheets	4
SCHEDULE A-1 - Sewage Works Refunding Revenue Bonds of 1996 Amortization Schedule	6
SCHEDULE A-2 - Sewage Works Revenue Bonds of 1999, Series A State Revolving Fund (SRF) Loan Amortization Schedule	7
SCHEDULE A-3 - Sewage Works Revenue Bonds of 1999, Series B SRF Loan - Amortization Schedule	8
SCHEDULE A-4 - Sewage Works Revenue Bonds of 2000 SRF Loan - Amortization Schedule	9
SCHEDULE A-5 - Sewage Works Revenue Bonds, Series 2004 Amortization Schedule	10
SCHEDULE A-6 - Sewage Works Revenue Bonds of 2009 SRF Loan - Estimated Amortization Schedule	11
EXHIBIT B - Statement of Fund Balances	12
EXHIBIT C - Statements of Income	14
EXHIBIT D - Adjusted Statement of Income	16
SCHEDULE D-1 - Detail of Adjustments	17
EXHIBIT E - Five Year Capital Improvement Plan	20
EXHIBIT F - Proposed Sewage Works Revenue Bonds of 2010 Estimated Sources and Uses of Funds	22
SCHEDULE F-1 - Proposed Sewage Works Revenue Bonds of 2010 Estimated Amortization Schedule	23

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

TABLE OF CONTENTS (Continued)

	<u>Page</u>
EXHIBIT G - Estimated Combined Amortization Schedule	24
EXHIBIT H - Statement of Revenue Requirements	25
EXHIBIT I - Schedule of Present and Proposed Rates and Charges	26
EXHIBIT J - Typical Monthly Bill Analysis	28

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

PURPOSE OF THE REPORT

Crowe Horwath LLP has performed a study and analysis of the operating and financial reports, budgets and other data pertaining to the Speedway Municipal Sewage Works ("Utility"). The results of our analysis are contained in this Preliminary Rate and Financing Report ("Report").

The purpose of the Report is to estimate the Utility's financial capacity to meet its on-going revenue requirements for operation and maintenance expenses, taxes other than income taxes, present and proposed debt service payments, and to make capital improvements to the Utility's system. This Report is based on data for the twelve months ended December 31, 2009. The historical information used in this Report was taken from the books and records of the Utility.

In the course of preparing this Report, we have not conducted an audit of any financial or supplemental data used in the accompanying Exhibits and Schedules. We have made certain projections that may vary from actual results because events and circumstances frequently do not occur as estimated and such variances may be material. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

If you have any questions regarding this Report, please call Jennifer Wilson at (317) 269-6696 or Angie Steeno at (317) 269-2367.

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

EXECUTIVE SUMMARY

Crowe Horwath LLP ("Crowe") has performed a study and analysis of the operating and financial reports, budgets and other data pertaining to the Speedway Municipal Sewage Works ("Utility"). The results of our analysis are contained in this Preliminary Rate and Financing Report ("Report"). This Executive Summary ("Summary") highlights the results of the analyses contained in the Report.

In the course of preparing the Report, Crowe considered the historical revenues and expenses to assess the Utility's current and projected financial condition. Exhibit C presents the Statements of Income. The following is a recap of the historical and projected operating revenues, operation and maintenance expenses and taxes:

<u>Year</u>	<u>Operating Revenues</u>	<u>Operating and Maintenance Expenses</u>	<u>Taxes</u>	<u>Net</u>
2007	\$ 4,679,065	\$ 2,550,992	\$ 189,114	\$ 1,938,959
2008	4,332,297	2,326,613	188,307	1,817,377
2009	3,958,922	2,520,869	190,657	1,247,396
Pro Forma	3,878,173	2,389,270	354,252	1,134,651

As shown above, Operating Revenues have steadily declined since 2007. In 2008, the decrease was primarily a result of the loss of commercial customers such as Electric Steel and Plastic. In addition, the Utility reduced the excess strength surcharge rates effective October, 2007. Other Commercial customers such as Allison Transmission and Praxair have reduced their usage over the past three year period. The Pro Forma Operating Revenues and Operation and Maintenance Expenses are slightly less than the 2009 Test Year. The increase in Taxes Other Than Income Taxes reflects an increase in the Utility Receipts Tax and the Payment in Lieu of Taxes due to the proposed capital improvement plan projects shown on Exhibit E.

In addition to considering the Utility's historical financial condition, current and projected capital improvement projects also need to be considered. The Utility has identified certain projects to be funded over a five year period. It is anticipated that the Long Term Control Plan projects, which are the largest portion of the capital improvement plan, will be funded through the issuance of bonds as shown on Exhibit E. Exhibit F provides the estimated sources and uses of funds for the proposed 2010 bond issue.

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

EXECUTIVE SUMMARY (Continued)

Crowe has calculated that an across-the-board rate increase of seventy-one percent (71%) would be required to provide sufficient revenue for the Utility to meet its revenue requirements, which include operation and maintenance expenses, taxes, present and proposed debt service and annual extensions and replacements. Estimated annual extensions and replacements are calculated based on the five (5) year average annual extensions and replacements as shown on the Capital Improvement Plan.

The rate increase would be applied to all rates and charges of the Utility excluding the Excess Strength Surcharges, which are reviewed by the Utility as needed. This would include consumption charges, monthly base charges, unmetered user charges, and two or more businesses or dwellings on a single meter charges. The impact to the monthly bill of average residential inside city customers would be as follows:

<u>Monthly Consumption (1)</u>	<u>Present Charge</u>	<u>Proposed Charge</u>	<u>Difference</u>
4,000 Gallons	\$ 12.52	\$ 21.41	\$ 8.89
6,000 Gallons	17.04	29.16	12.12
15,000 Gallons	42.60	72.90	30.30

(1) Minimum usage charge is for 4,000 gallons.

The impact to the monthly bill of average residential outside city customers would be as follows:

<u>Monthly Consumption (1)</u>	<u>Present Charge</u>	<u>Proposed Charge</u>	<u>Difference</u>
4,000 Gallons	\$ 18.78	\$ 32.12	\$ 13.34
6,000 Gallons	25.56	43.74	18.18
15,000 Gallons	63.90	109.35	45.45

(1) Minimum usage charge is for 4,000 gallons.

This Summary was prepared to give the readers a brief synopsis of the Exhibits and Schedules to the Report. Please see the Report for the entire analysis of the Utility. If you have any questions regarding this Summary, please call Jennifer Wilson at (317) 269-6696 or John Skomp at (317) 269-6699.

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Balance Sheets as of December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS AND OTHER DEBITS			
<u>Utility Plant</u>			
Utility Plant in Service	\$12,511,980	\$12,472,994	\$11,837,899
Less: Accumulated Depreciation	<u>(3,971,863)</u>	<u>(3,685,012)</u>	<u>(3,458,946)</u>
Net Utility Plant in Service	8,540,117	8,787,982	8,378,953
Add: Construction Work in Progress	<u>7,057,481</u>	<u>7,057,481</u>	<u>7,057,482</u>
Net Utility Plant	<u>15,597,598</u>	<u>15,845,463</u>	<u>15,436,435</u>
<u>Restricted Assets</u>			
Depreciation Fund	2,380,012	2,243,998	2,244,270
Bond Sinking Fund	329,389	298,306	297,648
Debt Service Reserve	869,892	863,755	863,755
Plant Improvement Fund	1,034,102	1,031,702	1,030,502
Construction Fund	<u>878,541</u>	<u>60,443</u>	<u>303,425</u>
Total Restricted Assets	<u>5,491,936</u>	<u>4,498,204</u>	<u>4,739,600</u>
<u>Current and Accrued Assets</u>			
Operating Fund	1,453,085	1,845,326	1,242,998
Accounts Receivable	2,248,384	1,820,182	1,478,561
Accounts Receivable from Associated Co.	(61,000)	(415,000)	4,081,251
Prepaid Expenses	<u>116,890</u>	<u>173,616</u>	<u>79,809</u>
Total Current and Accrued Assets	<u>3,757,359</u>	<u>3,424,124</u>	<u>6,882,619</u>
<u>Deferred Debits</u>			
Unamortized 1996 Bonds Issuance Expense and			
Loss on Refunding and Debt Discount	25,020	55,601	88,962
Unamortized 1999 Bonds Issuance Expense	44,428	49,813	55,199
Unamortized 2000 Bonds Issuance Expense	21,667	25,063	28,460
Unamortized 2004 Bonds Issuance Expense	<u>53,213</u>	<u>56,821</u>	<u>60,428</u>
Total Deferred Debits	<u>144,328</u>	<u>187,298</u>	<u>233,049</u>
Total Assets and Other Debits	<u><u>\$24,991,221</u></u>	<u><u>\$23,955,089</u></u>	<u><u>\$27,291,703</u></u>

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Balance Sheets as of December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
LIABILITIES AND OTHER CREDITS			
<u>Equity Capital</u>			
Unappropriated Retained Earnings	\$ 12,799,144	\$ 11,512,880	\$11,717,766
Current Year Earnings	<u>1,600,002</u>	<u>1,286,265</u>	<u>3,876,365</u>
Total Equity Capital	<u>14,399,146</u>	<u>12,799,145</u>	<u>15,594,131</u>
<u>Long Term Debt</u>			
Refunding Revenue Bonds of 1996	338,600	674,300	990,000
1999 Series A State Revolving Fund Loan	4,529,208	4,584,502	4,641,728
1999 Series B State Revolving Fund Loan	363,968	393,944	422,907
2000 State Revolving Fund Loan	964,520	1,043,957	1,120,707
Revenue Bonds, Series 2004	<u>1,235,000</u>	<u>1,290,000</u>	<u>1,345,000</u>
Total Long Term Debt	<u>7,431,296</u>	<u>7,986,703</u>	<u>8,520,342</u>
<u>Current and Accrued Liabilities</u>			
Accounts Payable	32,465	32,466	32,466
Accrued Taxes Payable	1,081	1,081	1,081
Accrued Interest Payable	<u>168,653</u>	<u>177,114</u>	<u>185,103</u>
Total Current and Accrued Liabilities	<u>202,199</u>	<u>210,661</u>	<u>218,650</u>
<u>Contributions in Aid of Construction</u>	<u>2,958,580</u>	<u>2,958,580</u>	<u>2,958,580</u>
Total Liabilities and Other Credits	<u>\$ 24,991,221</u>	<u>\$ 23,955,089</u>	<u>\$27,291,703</u>

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Sewage Works Refunding Revenue Bonds of 1996
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
3/1/10			\$ 9,010	\$ 9,010	
9/1/10	\$ 340,000	5.3 %	9,010	349,010	\$ 358,020
Totals	<u>\$ 340,000</u>		<u>\$ 18,020</u>	<u>\$ 358,020</u>	

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Sewage Works Revenue Bonds of 1999, Series A
State Revolving Fund (SRF) Loan
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
3/1/10			\$ 79,261	\$ 79,261	
9/1/10	\$ 69,649	3.5 %	79,261	148,910	\$ 228,171
3/1/11			78,042	78,042	
9/1/11	430,107	3.5	78,042	508,149	586,191
3/1/12			70,515	70,515	
9/1/12	445,160	3.5	70,515	515,675	586,190
3/1/13			62,725	62,725	
9/1/13	460,741	3.5	62,725	523,466	586,191
3/1/14			54,662	54,662	
9/1/14	476,867	3.5	54,662	531,529	586,191
3/1/15			46,317	46,317	
9/1/15	493,557	3.5	46,317	539,874	586,191
3/1/16			37,680	37,680	
9/1/16	510,832	3.5	37,680	548,512	586,192
3/1/17			28,740	28,740	
9/1/17	528,711	3.5	28,740	557,451	586,191
3/1/18			19,488	19,488	
9/1/18	547,216	3.5	19,488	566,704	586,192
3/1/19			9,911	9,911	
9/1/19	566,368	3.5	9,911	576,279	586,190
Totals	<u>\$ 4,529,208</u>		<u>\$ 974,682</u>	<u>\$ 5,503,890</u>	

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Sewage Works Revenue Bonds of 1999, Series B
State Revolving Fund (SRF) Loan
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
3/1/10			\$ 6,369	\$ 6,369	
9/1/10	\$ 31,025	3.5 %	6,369	37,394	\$ 43,763
3/1/11			5,827	5,827	
9/1/11	32,111	3.5	5,827	37,938	43,765
3/1/12			5,265	5,265	
9/1/12	33,235	3.5	5,265	38,500	43,765
3/1/13			4,683	4,683	
9/1/13	34,398	3.5	4,683	39,081	43,764
3/1/14			4,081	4,081	
9/1/14	35,602	3.5	4,081	39,683	43,764
3/1/15			3,458	3,458	
9/1/15	36,848	3.5	3,458	40,306	43,764
3/1/16			2,813	2,813	
9/1/16	38,138	3.5	2,813	40,951	43,764
3/1/17			2,146	2,146	
9/1/17	39,473	3.5	2,146	41,619	43,765
3/1/18			1,455	1,455	
9/1/18	40,854	3.5	1,455	42,309	43,764
3/1/19			740	740	
9/1/19	42,284	3.5	740	43,024	43,764
Totals	<u>\$ 363,968</u>		<u>\$ 73,674</u>	<u>\$ 437,642</u>	

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Sewage Works Revenue Bonds of 2000
State Revolving Fund (SRF) Loan
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
3/1/10			\$ 16,879	\$ 16,879	
9/1/10	\$ 82,217	3.5 %	16,879	99,096	\$ 115,975
3/1/11			15,440	15,440	
9/1/11	85,095	3.5	15,440	100,535	115,975
3/1/12			13,951	13,951	
9/1/12	88,073	3.5	13,951	102,024	115,975
3/1/13			12,410	12,410	
9/1/13	91,155	3.5	12,410	103,565	115,975
3/1/14			10,815	10,815	
9/1/14	94,346	3.5	10,815	105,161	115,976
3/1/15			9,164	9,164	
9/1/15	97,648	3.5	9,164	106,812	115,976
3/1/16			7,455	7,455	
9/1/16	101,066	3.5	7,455	108,521	115,976
3/1/17			5,686	5,686	
9/1/17	104,603	3.5	5,686	110,289	115,975
3/1/18			3,856	3,856	
9/1/18	108,264	3.5	3,856	112,120	115,976
3/1/19			1,961	1,961	
9/1/19	112,053	3.5	1,961	114,014	115,975
Totals	<u>\$ 964,520</u>		<u>\$ 195,234</u>	<u>\$ 1,159,754</u>	

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Sewage Works Revenue Bonds, Series 2004
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
3/1/10			\$ 26,916	\$ 26,916	
9/1/10	\$ 60,000	4.000 %	26,916	86,916	\$ 113,832
3/1/11			25,716	25,716	
9/1/11	60,000	4.000	25,716	85,716	111,432
3/1/12			24,516	24,516	
9/1/12	65,000	4.000	24,516	89,516	114,032
3/1/13			23,216	23,216	
9/1/13	65,000	4.000	23,216	88,216	111,432
3/1/14			21,916	21,916	
9/1/14	70,000	4.000	21,916	91,916	113,832
3/1/15			20,516	20,516	
9/1/15	75,000	4.125	20,516	95,516	116,032
3/1/16			18,969	18,969	
9/1/16	75,000	4.125	18,969	93,969	112,938
3/1/17			17,422	17,422	
9/1/17	80,000	4.125	17,422	97,422	114,844
3/1/18			15,772	15,772	
9/1/18	85,000	4.375	15,772	100,772	116,544
3/1/19			13,913	13,913	
9/1/19	90,000	4.375	13,913	103,913	117,826
3/1/20			11,944	11,944	
9/1/20	90,000	4.375	11,944	101,944	113,888
3/1/21			9,975	9,975	
9/1/21	95,000	4.750	9,975	104,975	114,950
3/1/22			7,719	7,719	
9/1/22	100,000	4.750	7,719	107,719	115,438
3/1/23			5,344	5,344	
9/1/23	110,000	4.750	5,344	115,344	120,688
3/1/24			2,731	2,731	
9/1/24	115,000	4.750	2,731	117,731	120,462
Totals	<u>\$1,235,000</u>		<u>\$ 493,170</u>	<u>\$1,728,170</u>	

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

Sewage Works Revenue Bonds of 2009

State Revolving Fund (SRF) Loan

Estimated Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
3/1/10			\$ 40,377	\$ 40,377	
9/1/10	\$ 151,175	3.06 %	82,589	233,764	\$274,141
3/1/11			80,276	80,276	
9/1/11	207,697	3.06	80,276	287,973	368,249
3/1/12			77,099	77,099	
9/1/12	214,052	3.06	77,099	291,151	368,250
3/1/13			73,824	73,824	
9/1/13	220,602	3.06	73,824	294,426	368,250
3/1/14			70,448	70,448	
9/1/14	227,353	3.06	70,448	297,801	368,249
3/1/15			66,970	66,970	
9/1/15	234,310	3.06	66,970	301,280	368,250
3/1/16			63,385	63,385	
9/1/16	241,480	3.06	63,385	304,865	368,250
3/1/17			59,690	59,690	
9/1/17	248,869	3.06	59,690	308,559	368,249
3/1/18			55,883	55,883	
9/1/18	256,484	3.06	55,883	312,367	368,250
3/1/19			51,958	51,958	
9/1/19	264,333	3.06	51,958	316,291	368,249
3/1/20			47,914	47,914	
9/1/20	272,421	3.06	47,914	320,335	368,249
3/1/21			43,746	43,746	
9/1/21	280,757	3.06	43,746	324,503	368,249
3/1/22			39,451	39,451	
9/1/22	289,348	3.06	39,451	328,799	368,250
3/1/23			35,024	35,024	
9/1/23	298,202	3.06	35,024	333,226	368,250
3/1/24			30,461	30,461	
9/1/24	307,327	3.06	30,461	337,788	368,249
3/1/25			25,759	25,759	
9/1/25	316,732	3.06	25,759	342,491	368,250
3/1/26			20,913	20,913	
9/1/26	326,424	3.06	20,913	347,337	368,250
3/1/27			15,919	15,919	
9/1/27	336,412	3.06	15,919	352,331	368,250
3/1/28			10,772	10,772	
9/1/28	346,706	3.06	10,772	357,478	368,250
3/1/29			5,467	5,467	
9/1/29	357,316	3.06	5,467	362,783	368,250
Totals	<u>\$ 5,398,000</u>		<u>\$1,872,884</u>	<u>\$7,270,884</u>	

Note: As of April 14, 2010, the principal amount available to be drawn is \$4,064,227.

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Statement of Fund Balances as of December 31, 2009
and Calculation of Required Fund Balances

Operating Fund	\$ 1,453,085
Depreciation Fund	2,380,012
Bond Sinking Fund	329,389
Debt Service Reserve	869,892
Plant Improvement Fund	1,034,102
Construction Fund	<u>878,541</u>
 Total Cash and Investments	 <u><u>\$ 6,945,021</u></u>

Operating Fund

Calculation of Required Operating Fund Balance

Adjusted Operation and Maintenance Expenses (Exhibit D)	\$ 2,389,270
Adjusted Taxes Other Than Income Taxes (Exhibit D)	<u>354,252</u>
Subtotal	2,743,522
Divide by: Twelve Months	<u>12</u>
Monthly Operation and Maintenance Expenses and Taxes Other Than Income Taxes	228,627
Times: Two Months	<u>2</u>
 Minimum Required Balance	 <u><u>\$ 457,254</u></u>
 Operating Fund Balance	 <u><u>\$ 1,453,085</u></u>
 Funds in Excess of Minimum Required Balance	 <u><u>\$ 995,831</u></u>

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Statement of Fund Balances as of December 31, 2009
and Calculation of Required Fund Balances

Sinking Funds

Calculation of Required Bond and Interest Fund Balance

1996, 1999A, 1999B, 2000, 2004, and 2009 Bonds

Principal Payment due September 1, 2010	\$ 734,066
Divide by: Twelve Months	12
Monthly Transfer for Principal Payment	61,172
Times: Three Months Since Last Principal Payment	3
Required Balance for Principal Payment	<u>\$ 183,516</u>

1996, 1999A, 1999B, 2000, 2004 and 2009 Bonds

Interest Payment due March 1, 2010	\$ 178,812
Divide by: Six Months	6
Monthly Transfer for Interest Payment	29,802
Times: Three Months Since Last Interest Payment	3
Required Balance for Interest Payment	<u>\$ 89,406</u>

Total Required Bond and Interest Fund Balance	<u>\$ 272,922</u>
---	-------------------

Compare to Bond and Interest Fund Balance	<u>\$ 329,389</u>
---	-------------------

Excess Funds in the Bond and Interest Fund	<u>\$ 56,467</u>
--	------------------

Calculation of Required Combined Debt Service Reserve Requirement

1996, 1999A, 1999B, 2000, and 2004 Bonds

Maximum Annual Debt Service	\$ 863,755
Add: December Deposit for 2009 Bonds (1)	6,137
Total Required Debt Service Reserve Fund Balance	<u>\$ 869,892</u>

Compare to Debt Service Reserve Fund Balance	<u>\$ 869,892</u>
--	-------------------

Excess Funds in the Debt Service Reserve Fund	<u>\$ -</u>
---	-------------

(1) The debt service reserve requirement for the 2009 SRF Bonds will be funded with net revenues over a five year period. The monthly transfer began December 1, 2009 and will continue until the debt service reserve is \$1,232,005.

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

Statements of Income for the Twelve Months Ended
December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Operating Revenues</u>			
Residential Sales	\$1,621,268	\$1,646,740	\$1,660,331
Commercial Sales	1,255,836	1,550,809	1,708,319
Industrial Sales	407,795	422,869	507,107
Forfeited Discounts	65,892	82,023	67,118
Industrial Pretreatment Fees	73,447	61,092	63,600
Excess Strength Surcharges	229,914	403,297	556,934
Curbside Recycling	80,749	88,440	80,889
Miscellaneous Receipts	224,021	77,027	34,767
Total Operating Revenues	<u>3,958,922</u>	<u>4,332,297</u>	<u>4,679,065</u>
<u>Operating Expenses</u>			
<u>Operation and Maintenance Expenses</u>			
Sewer Operations			
Labor	166,047	125,967	141,761
Labor - Contractual	-	-	21,143
Materials and Supplies	6,196	3,088	4,405
Lift Stations	1,549	3,669	4,941
Plant Operations			
Labor	614,531	656,421	659,399
Material and Supplies	44,401	41,535	54,762
Purchased Power	181,757	160,171	151,852
Purchased Water	14,849	3,702	3,682
Other Expenses	8,990	9,727	21,131
Lab - Contractual	20,644	24,444	22,363
Sludge Removal	87,463	72,886	109,843
Instrumentation and Control	16,001	29,920	16,127
Chemicals	45,153	60,917	55,466
Natural Gas	33,796	31,453	17,088
Plant Equipment	5,912	7,729	9,943
Plant Maintenance			
Labor - Contractual	8,569	26,064	31,695
Materials and Supplies	74,741	146,353	109,344
General and Administrative			
Office Salaries	170,317	149,153	146,587
Office Supplies and Materials	41,638	42,727	37,884
Curbside Recycling	81,566	81,499	84,932
Other Expenses	130,904	61,373	54,376
NPDES Permit	9,500	9,500	11,500
Employee Benefits - Insurance	147,332	142,046	150,766

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

Statements of Income for the Twelve Months Ended
December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General and Administrative (Continued)			
Engineering Expense	\$ 265,326	\$ 122,504	\$ 257,856
Legal Expense	59,227	57,419	99,894
Contractual Services - Accounting	7,412	6,895	18,763
Transportation Expense	13,284	15,241	11,132
PERF Contributions	67,318	64,054	60,173
Insurance Expense - Other	152,697	168,280	144,344
Longevity	19,881	-	-
Refunds	23,868	1,876	37,840
Total Operation and Maintenance Expenses	<u>2,520,869</u>	<u>2,326,613</u>	<u>2,550,992</u>
Depreciation Expense	<u>286,851</u>	<u>226,066</u>	<u>225,338</u>
Amortization Expense	<u>45,750</u>	<u>45,750</u>	<u>45,750</u>
<u>Taxes Other Than Income Taxes</u>			
Payment In Lieu of Taxes	119,976	119,976	119,976
Payroll Taxes	70,681	68,331	69,138
Total Taxes Other Than Income Taxes	<u>190,657</u>	<u>188,307</u>	<u>189,114</u>
Total Operating Expenses	<u>3,044,127</u>	<u>2,786,736</u>	<u>3,011,194</u>
Net Operating Income	<u>914,795</u>	<u>1,545,561</u>	<u>1,667,871</u>
<u>Other Income</u>			
Interest Income	28,983	64,850	169,089
Temporary Loan Repayment	-	-	2,418,601
Household Trash	278,523	278,985	278,456
Connection Fees	2,800	1,400	2,200
SRF Loan Proceeds	979,522	-	-
Miscellaneous	729	-	-
Total Other Income	<u>1,290,557</u>	<u>345,235</u>	<u>2,868,346</u>
<u>Other Expenses</u>			
Interest Expense	293,794	318,234	374,443
Household Trash Expense	264,713	286,297	285,409
Sewer Line Construction	46,843	-	-
Total Other Expenses	<u>605,350</u>	<u>604,531</u>	<u>659,852</u>
Net Income	<u>\$1,600,002</u>	<u>\$ 1,286,265</u>	<u>\$ 3,876,365</u>

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Adjusted Statement of Income

	December 31, <u>2009</u>	<u>Adjustments</u> <u>Amount</u>	<u>Ref.</u>	<u>Adjusted</u>
<u>Operating Revenues</u>				
Residential Sales	\$ 1,621,268			\$ 1,621,268
Commercial Sales	1,255,836			1,255,836
Industrial Sales	407,795			407,795
Forfeited Discounts	65,892			65,892
Industrial Pretreatment Fees	73,447			73,447
Excess Strength Surcharges	229,914			229,914
Curbside Recycling	80,749	\$ (80,749)	(1)	-
Miscellaneous Receipts	224,021			224,021
Total Operating Revenues	<u>3,958,922</u>	<u>(80,749)</u>		<u>3,878,173</u>
<u>Operating Expenses</u>				
Operation and Maintenance Expenses	2,520,869	(81,566)	(2)	2,389,270
		29,997	(3)	
		7,349	(4)	
		29,466	(5)	
		(116,845)	(6)	
Depreciation Expense	286,851	687,573	(7)	974,424
Amortization Expense	45,750			45,750
Taxes Other Than Income Taxes	190,657	8,106	(8)	354,252
		155,489	(9)	
Total Operating Expenses	<u>3,044,127</u>	<u>719,569</u>		<u>3,763,696</u>
Net Operating Income	<u>\$ 914,795</u>	<u>\$ (800,318)</u>		<u>\$ 114,477</u>

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

Detail of Adjustments

(1)

To eliminate "Curbside Recycling" from Operating Revenues.

Adjustment - Decrease	<u>\$ (80,749)</u>
-----------------------	--------------------

(2)

To eliminate "Curbside Recycling" from Operation and Maintenance Expenses.

Adjustment - Decrease	<u>\$ (81,566)</u>
-----------------------	--------------------

(3)

To adjust "Operation and Maintenance Expenses" for the estimated increase in salaries and wages for 2010.

Test Year Salaries and Wages	\$ 999,899
Times: Three (3%) Percent	<u>3%</u>

Adjustment - Increase	<u>\$ 29,997</u>
-----------------------	------------------

(4)

To adjust "Operation and Maintenance Expenses" for the change in PERF expense due to the estimated increase in salaries and wages.

Pro Forma Salaries and Wages - 2010	\$ 1,029,896
Times: PERF Contribution Rate for 2010	<u>7.25%</u>
Pro Forma PERF Expense	74,667
Less: Test Year	<u>(67,318)</u>

Adjustment - Increase	<u>\$ 7,349</u>
-----------------------	-----------------

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

SCHEDULE D-1
(Continued)

Detail of Adjustments

(5)

To adjust "Operation and Maintenance Expenses" for the estimated increase in Insurance Expense.

Test Year Total Employee Benefits-Insurance	\$ 147,332
Times: Twenty (20%) Percent	<u>20%</u>
Adjustment - Increase	<u>\$ 29,466</u>

(6)

To adjust "Operation and Maintenance Expenses" to adjust for non-recurring expenses during the Test Year.

<u>Vender</u>	<u>Description</u>	<u>Amount</u>
American Structurepoint	Non-Recurring Engineering Expenses	\$ 64,633
Commonwealth Engineers	Non-Recurring Engineering Expenses	41,599
Westmount Park Villas	Release Agreement for Prior Electric Utility Bills for Lift Station	4,000
Quality Repair Service	New Eurodrive Reducer Model, Two Baldor Motors, One Magnetek Motor	<u>6,613</u>
Adjustment - Decrease		<u>\$ (116,845)</u>

(7)

To adjust "Depreciation Expense" for the increase in Utility Plant in Service.

Utility Plant in Service as of December 31, 2009	\$ 12,511,980
Add: Construction Work in Progress	7,057,481
Add: Proposed 2010 Bond Issue Project Costs	<u>19,407,500</u>
Depreciable Utility Plant in Service	38,976,961
Times: Estimated Depreciation Rate	<u>2.5%</u>
Pro Forma Depreciation Expense	974,424
Less: Test Year	<u>(286,851)</u>
Adjustment - Increase	<u>\$ 687,573</u>

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Detail of Adjustments

(8)

To adjust "Taxes Other Than Income Taxes" for the increase in FICA tax due to the estimated increase in salaries and wages.

Pro Forma Salaries and Wages - 2010	\$ 1,029,896
Times: FICA Tax Rate	7.65%
Pro Forma FICA Expense	<u>78,787</u>
Less: Test Year	<u>(70,681)</u>
Adjustment - Increase	<u>\$ 8,106</u>

(9)

To adjust "Taxes Other Than Income Taxes" for the estimated increase in the Payment in Lieu of Taxes (PILOT).

Utility Plant in Service as of December 31, 2009	\$ 12,511,980
Add: Construction Work in Progress	7,057,481
Add: 2010 Bond Construction Projects	<u>15,350,000</u>
Depreciable Utility Plant in Service	34,919,461
Less: Accumulated Depreciation as of December 31, 2009	<u>(3,971,863)</u>
Estimated Net Assessed Valuation	30,947,598
Times: Net Corporate Tax Rate (per \$100 Assessed Valuation)	<u>0.8901</u>
Pro Forma PILOT	275,465
Less: Test Year	<u>(119,976)</u>
Adjustment - Increase	<u>\$ 155,489</u>

Five Year Capital Improvement Plan
Provided by Norman Berry, Speedway Municipal Sewage Works

- 20 -

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Five Year Capital Improvement Plan
Provided by Norman Berry, Speedway Municipal Sewage Works

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Total Capital Improvements	\$ 17,268,750	\$ 1,793,750	\$ 1,407,500	\$ 795,500	\$ 795,500	\$ 22,061,000
Less: Amount to be Funded by Cash in Depreciation Fund *	(250,000)	(15,000)				(265,000)
Less: Amount to be Funded by Proposed 2010 Bonds #	(16,851,250)	(1,501,250)	(1,055,000)			(19,407,500)
Total Capital Improvement Plan to be Funded by Revenue	\$ 167,500	\$ 277,500	\$ 352,500	\$ 795,500	\$ 795,500	\$ 2,388,500
Average Annual Extensions and Replacements (2010-2014)						\$ 477,700
Compare to Adjusted Annual Depreciation Expense (Exhibit D)						\$ 974,424

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Proposed Sewage Works Revenue Bonds of 2010
State Revolving Fund (SRF) Loan
Estimated Sources and Uses of Funds

Sources of Funds

Par Amount of Bonds	<u>\$19,510,000</u>
Total Sources of Funds	<u><u>\$19,510,000</u></u>

Uses of Funds

Project Cost	\$19,407,500
Cost of Issuance	100,000
Miscellaneous	<u>2,500</u>
Total Uses of Funds	<u><u>\$19,510,000</u></u>

Note: The debt service reserve requirement will be funded by net revenues over a five (5) year period.

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

SCHEDULE F-1

Proposed Sewage Works Revenue Bonds of 2010
State Revolving Fund (SRF) Loan
Estimated Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon (1)</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
3/1/11			\$ 367,764	\$ 367,764	
9/1/11	\$ 670,000	3.77 %	367,764	1,037,764	\$ 1,405,528
3/1/12			355,134	355,134	
9/1/12	695,000	3.77	355,134	1,050,134	1,405,268
3/1/13			342,033	342,033	
9/1/13	725,000	3.77	342,033	1,067,033	1,409,066
3/1/14			328,367	328,367	
9/1/14	750,000	3.77	328,367	1,078,367	1,406,734
3/1/15			314,230	314,230	
9/1/15	780,000	3.77	314,230	1,094,230	1,408,460
3/1/16			299,527	299,527	
9/1/16	805,000	3.77	299,527	1,104,527	1,404,054
3/1/17			284,352	284,352	
9/1/17	840,000	3.77	284,352	1,124,352	1,408,704
3/1/18			268,518	268,518	
9/1/18	870,000	3.77	268,518	1,138,518	1,407,036
3/1/19			252,119	252,119	
9/1/19	900,000	3.77	252,119	1,152,119	1,404,238
3/1/20			235,154	235,154	
9/1/20	935,000	3.77	235,154	1,170,154	1,405,308
3/1/21			217,529	217,529	
9/1/21	970,000	3.77	217,529	1,187,529	1,405,058
3/1/22			199,245	199,245	
9/1/22	1,010,000	3.77	199,245	1,209,245	1,408,490
3/1/23			180,206	180,206	
9/1/23	1,045,000	3.77	180,206	1,225,206	1,405,412
3/1/24			160,508	160,508	
9/1/24	1,085,000	3.77	160,508	1,245,508	1,406,016
3/1/25			140,056	140,056	
9/1/25	1,125,000	3.77	140,056	1,265,056	1,405,112
3/1/26			118,849	118,849	
9/1/26	1,170,000	3.77	118,849	1,288,849	1,407,698
3/1/27			96,795	96,795	
9/1/27	1,215,000	3.77	96,795	1,311,795	1,408,590
3/1/28			73,892	73,892	
9/1/28	1,260,000	3.77	73,892	1,333,892	1,407,784
3/1/29			50,141	50,141	
9/1/29	1,305,000	3.77	50,141	1,355,141	1,405,282
3/1/30			25,542	25,542	
9/1/30	<u>1,355,000</u>	3.77	<u>25,542</u>	<u>1,380,542</u>	1,406,084
Totals	<u>\$19,510,000</u>		<u>\$ 8,619,922</u>	<u>\$28,129,922</u>	

(1) Interest rate is a current SRF rate plus sixty (60) basis points. Rates are subject to change on July 1.

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

Estimated Combined Amortization Schedule

<u>Year</u>	<u>1996</u> Refunding Revenue <u>Bonds</u>	<u>1999</u> Series A Revenue <u>Bonds</u>	<u>1999</u> Series B Revenue <u>Bonds</u>	<u>2000</u> Revenue <u>Bonds</u>	<u>2004</u> Revenue <u>Bonds</u>	<u>2009</u> Revenue <u>Bonds</u>	<u>Proposed</u> <u>2010</u> Revenue <u>Bonds</u>	<u>Total</u>
2010	\$ 358,020	\$ 228,171	\$ 43,763	\$ 115,975	\$ 113,832	\$ 274,141	\$ 1,405,528	\$ 1,133,902
2011		586,191	43,765	115,975	111,432	368,249		2,631,140
2012		586,190	43,765	115,975	114,032	368,250	1,405,268	2,633,480
2013		586,191	43,764	115,975	111,432	368,250	1,409,066	2,634,678
2014		586,191	43,764	115,976	113,832	368,249	1,406,734	2,634,746
2015		586,191	43,764	115,976	116,032	368,250	1,408,460	2,638,673
2016		586,192	43,764	115,976	112,938	368,250	1,404,054	2,631,174
2017		586,191	43,765	115,975	114,844	368,249	1,408,704	2,637,728
2018		586,192	43,764	115,976	116,544	368,250	1,407,036	2,637,762
2019		586,190	43,764	115,975	117,826	368,249	1,404,238	2,636,242
2020					113,888	368,249	1,405,308	1,887,445
2021					114,950	368,249	1,405,058	1,888,257
2022					115,438	368,250	1,408,490	1,892,178
2023					120,688	368,250	1,405,412	1,894,350
2024					120,462	368,249	1,406,016	1,894,727
2025						368,250	1,405,112	1,773,362
2026						368,250	1,407,698	1,775,948
2027						368,250	1,408,590	1,776,840
2028						368,250	1,407,784	1,776,034
2029						368,250	1,405,282	1,773,532
2030							1,406,084	1,406,084
Totals	\$ 358,020	\$ 5,503,890	\$ 437,642	\$ 1,159,754	\$ 1,728,170	\$ 7,270,884	\$28,129,922	\$ 44,588,282
Estimated Combined Maximum Annual Debt Service								\$ 2,638,673

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

Statement of Revenue Requirements

Adjusted Operation and Maintenance Expenses (Exhibit D)	\$2,389,270
Adjusted Taxes Other Than Income Taxes (Exhibit D)	354,252
Estimated Combined Maximum Annual Debt Service (Exhibit G)	2,638,673
Estimated Annual Extensions and Replacements (Exhibit E)	477,700
Estimated Annual Debt Service Reserve Funding for 2009 SRF Bonds (A)	73,645
Estimated Annual Debt Service Reserve Funding for 2010 SRF Bonds (B)	281,813
Total Revenue Requirements	<u>6,215,353</u>
Less: Adjusted Operating Revenues (Exhibit D)	<u>(3,878,173)</u>
Deficit	2,337,180
Divide by: Adjustable Operating Revenues	<u>3,284,899</u>
Percentage Rate Increase Required	<u><u>71%</u></u>

(A) <u>Estimated Annual Debt Service Reserve (DSR) Requirement for 2009 SRF Bonds</u>	
1996, 1999A, 1999B, 2000, 2004, and 2009 Bonds	
Combined Maximum Annual Debt Service	\$1,232,005
Less: Current DSR Balance	<u>(869,892)</u>
Net DSR Balance to be Funded	362,113
Divide by: 4 Years and 11 Months	<u>4.917</u>
Estimated Annual DSR Funding for 2009 SRF Bonds	<u><u>\$ 73,645</u></u>
(B) <u>Estimated Annual Debt Service Reserve (DSR) Requirement for 2010 SRF Bonds</u>	
Estimated DSR Requirement for 2010 Bonds	\$1,409,066
Divide by: Five (5) Years	<u>5</u>
Estimated Annual DSR Funding for 2010 SRF Bonds	<u><u>\$ 281,813</u></u>

SPEEDWAY MUNICIPAL SEWAGE WORKS

EXHIBIT I

Speedway, Indiana

Schedule of Present and Proposed Rates and Charges Inside City User

		Present Rates	Proposed Rates
<u>Consumption Per Month (Per 1,000 Gallons) (1)</u>			
First	25,000 gallons	\$ 2.84	\$ 4.86
Next	75,000 gallons	2.78	4.75
Next	250,000 gallons	2.51	4.29
Next	500,000 gallons	2.33	3.98
Over	850,000 gallons	2.22	3.80
<u>Minimum Monthly Charges (1)</u>			
5/8	inch meter	\$ 12.52	\$ 21.41
3/4	inch meter	25.03	42.80
1	inch meter	37.33	63.83
1 1/2	inch meter	60.10	102.77
2	inch meter	90.36	154.52
3	inch meter	175.50	300.11
4	inch meter	250.92	429.07
6	inch meter	426.59	729.47
8	inch meter	753.10	1,287.80
<u>Unmetered Users (1)</u>		\$ 13.79	\$ 23.58
<u>Two or More Businesses or Dwellings on a Single Meter (1)</u>			
Additional Charge for Each Unit			
Served through a Single Water Meter		\$ 2.84	\$ 4.86
<u>Excess Strength Surcharge (Rate per Pound) (2)</u>			
BOD		\$ 0.25	\$ 0.25
Total Oil and Grease		0.25	0.25
Suspended Solids		0.25	0.25

For service rendered by the sewage treatment works to lots, parcels of real estate or buildings located outside the limits of the Town of Speedway, the rates and charges, including

- (1) Present Rates and Charges were approved October 24, 2005 and went into effect November 1, 2006.
- (2) Present Rates and Charges were approved August 27, 2007 and went into effect October 1, 2007.

SPEEDWAY MUNICIPAL SEWAGE WORKS
Speedway, Indiana

EXHIBIT I
(Continued)

Schedule of Present and Proposed Rates and Charges
Outside City User

		<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Consumption Per Month (Per 1,000 Gallons) (1)</u>			
First	25,000 gallons	\$ 4.26	\$ 7.29
Next	75,000 gallons	4.17	7.13
Next	250,000 gallons	3.77	6.44
Next	500,000 gallons	3.50	5.97
Over	850,000 gallons	3.33	5.70
<u>Minimum Monthly Charges (1)</u>			
5/8	inch meter	\$ 18.78	\$ 32.12
3/4	inch meter	37.55	64.20
1	inch meter	56.00	95.75
1 1/2	inch meter	90.15	154.16
2	inch meter	135.54	231.78
3	inch meter	263.25	450.17
4	inch meter	376.38	643.61
6	inch meter	639.89	1,094.21
8	inch meter	1,129.65	1,931.70
<u>Unmetered Users (1)</u>		\$ 20.69	\$ 35.37
<u>Two or More Businesses or Dwellings on a Single Meter (1)</u>			
Additional Charge for Each Unit			
Served through a Single Water Meter		\$ 4.26	\$ 7.29
<u>Excess Strength Surcharge (Rate per Pound) (2)</u>			
BOD		\$ 0.25	\$ 0.25
Total Oil and Grease		0.25	0.25
Suspended Solids		0.25	0.25

(1) Present Rates and Charges were approved October 24, 2005 and went into effect November 1, 2006.

(2) Present Rates and Charges were approved August 27, 2007 and went into effect October 1, 2007.

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

Typical Monthly Bill Analysis

Inside City User

(5/8 Inch Meter)

<u>Gallons</u>		<u>Present</u> <u>Charge</u>		<u>Proposed</u> <u>Charge</u>		<u>Difference</u>
1,000	\$	12.52	\$	21.41	\$	8.89
2,000		12.52		21.41		8.89
3,000		12.52		21.41		8.89
4,000		12.52		21.41		8.89
5,000		14.20		24.30		10.10
6,000		17.04		29.16		12.12
7,000		19.88		34.02		14.14
8,000		22.72		38.88		16.16
9,000		25.56		43.74		18.18
10,000		28.40		48.60		20.20
11,000		31.24		53.46		22.22
12,000		34.08		58.32		24.24
13,000		36.92		63.18		26.26
14,000		39.76		68.04		28.28
15,000		42.60		72.90		30.30
16,000		45.44		77.76		32.32
17,000		48.28		82.62		34.34
18,000		51.12		87.48		36.36
19,000		53.96		92.34		38.38
20,000		56.80		97.20		40.40

SPEEDWAY MUNICIPAL SEWAGE WORKS

Speedway, Indiana

Typical Monthly Bill Analysis

Outside City User

(5/8 Inch Meter)

<u>Gallons</u>		<u>Present Charge</u>		<u>Proposed Charge</u>		<u>Difference</u>
1,000	\$	18.78	\$	32.12	\$	13.34
2,000		18.78		32.12		13.34
3,000		18.78		32.12		13.34
4,000		18.78		32.12		13.34
5,000		21.30		36.45		15.15
6,000		25.56		43.74		18.18
7,000		29.82		51.03		21.21
8,000		34.08		58.32		24.24
9,000		38.34		65.61		27.27
10,000		42.60		72.90		30.30
11,000		46.86		80.19		33.33
12,000		51.12		87.48		36.36
13,000		55.38		94.77		39.39
14,000		59.64		102.06		42.42
15,000		63.90		109.35		45.45
16,000		68.16		116.64		48.48
17,000		72.42		123.93		51.51
18,000		76.68		131.22		54.54
19,000		80.94		138.51		57.57
20,000		85.20		145.80		60.60